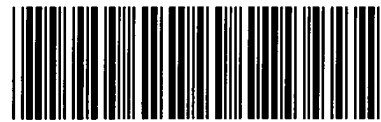


Registered number: 03138679

UNIPEC U.K. CO. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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UNIPEC U.K. CO. LIMITED

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UNIPEC U.K. CO. LIMITED
COMPANY INFORMATION

DIRECTORS

B Wang (Appointed 16 January 2020)
L Li (Appointed 16 January 2020)
S Shao (Appointed 16 January 2020)
G Chen (Resigned 16 January 2020)
B Chen (Resigned 16 January 2020)

COMPANY SECRETARY

S Woods (Appointed 16 January 2020)
L Li (Resigned 16 January 2020)

REGISTERED NUMBER

03138679

REGISTERED OFFICE

Lawn House
74 Shepherds Bush Green
London
W12 8QE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ
United Kingdom

UNIPEC U.K. CO. LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Business review

Unipec U.K. Co. Limited ('the company') is a subsidiary of China International United Petroleum & Chemicals Co., Ltd. The company trades in the United Kingdom, to engage in principal trading of crude oil. Some of the crude oil is for the use of refineries in the same group in People's Republic of China. All authorisations for agent trading are received from the immediate parent company. The immediate parent company will set a series of performance targets for the company on an annual basis. In 2019, the company revenue increased significantly due to growing trading volume from expanding market coverage.

The company leases out part of its freehold office building which has been treated as investment property in the financial statements. In the judgment of the directors, the fair values of the size of the office building let out as the company's investment properties are immaterial as compared to the company's principal activities of oil trading. Therefore investment properties are accounted for using the cost model in FRS 102 Section 17 Property, Plant and Equipment and remains within the scope of Section 17 because the relevant fair values have an immaterial impact for the financial statements reader to understand the company's operation. The profit for the financial year is set out in the statement of comprehensive income on page 12.

Principal risks and uncertainties

A full risk management process is embedded within this company following the risk management procedures set out by the immediate parent company. Major risks are identified and a series of measures created to address the risks identified and to mitigate potential losses in the future. The principal risks and uncertainties for this company are:

Operational risk

Risks in regards to the global macro-economic situation

The business results of the company are closely related to China's and the global economic situation. Although various countries have adopted different macro-economic policies to protect and grow their economies, the growth of global economy remains low and weak which requires management to monitor closely and adjust their long-term and short-term operational policy accordingly to keep up the company's business growth.

Risks in regards to the global crude oil market

In recent years, especially influenced by the mismatch between supply and demand in the global crude oil market, geopolitics, global economic growth and other factors, the prices of crude oil have been volatile. Additionally, the supply of crude oil could be interrupted due to extreme major incidents in certain regions. Although the company has taken flexible countermeasures, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and sudden disruption of supply of crude oil from certain regions.

Risks in regards to COVID-19

Although many regions have implemented COVID-19 control and prevention measures there are uncertainties around the recovery of the global economy. Due to the various factors related to the COVID-19 pandemic, global oil prices are expected to fluctuate at a low level under the current international economic situation.

The above major operational risk is managed by the company following policies and framework arrangements set by immediate and intermediate parent company.

Financial risks

Please see the Directors' Report for an analysis of financial risks.

UNIPEC U.K. CO. LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

The company will continue to trade as a principal trading business. Principal trade volume will proceed with growth. Directors are confident that the company will steady its strong position in crude oil trading markets and expand market share in Europe and Americas.

Key performance indicators

The company's key performance indicators are revenue and profit before tax. In 2019, the company's revenue increased by 41% (2018: 99%) and profit before tax increased by 376% (2018: 22% decrease).

KPI	2019	2018	% change
Revenue (\$ 000)	39,486,938	28,015,219	41
PBT(\$ 000)	205,563	43,408	374

Section 172(1) statement/Statement of stakeholder interests

Section 172 of the UK Companies Act 2008 requires a director to explain how they have considered the interests of key stakeholders and promote the success of the company for the benefit of its members as a whole. In doing so, paying attention (amongst other matters) to the following factors (the "S172 Factors"):

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- the need to act fairly as between members of the company.

The company directors are all, with the exception of one parent company senior employee, senior management personnel who work directly for the company and head key functions that support the running of the company. As part of their appointment to the board of directors each director is briefed on their duties and obligations as a director and can access professional advice from the company secretary or an independent advisor at any time.

We have categorised our key stakeholders in to six groups-

Key stakeholder groups

- Parent company/Sister company
- Employees
- Regulators/Governments
- Customers
- Suppliers
- Communities

UNIPEC U.K. CO. LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Section 172(1) statement/Statement of stakeholder interests (continued)

How were key stakeholders and members considered?

We describe and evaluate how stakeholders were considered during the decision making process by summarising relevant discussions and the outcome of each discussion. Each discussion may not affect every key stakeholder and will not necessarily result in a positive outcome for all stakeholders, but by having due regard for stakeholder relationships, the directors aim to ensure that each decision promotes the long term success of the company.

Discussion	Stakeholder considerations	Outcome
<p><u>Financial Crime</u> The board continued to evaluate and update the current policies, practices and controls related to the prevention of financial crime.</p>	<p>The implementation of further training and revised policies related to the prevention of financial crime demonstrates the interest of the directors in upholding high operational standards and preventing crime, thus benefiting multiple stakeholders.</p>	<p>The board updated the policy related to financial crime in 2019 and implemented mandatory training for all employees related to money laundering, sanctions, terrorist financing, bribery, corruption, modern slavery and market abuse.</p>
<p><u>I.T. Security</u> The board continued to evaluate and update the current policies, practices and controls related to I.T. security.</p>	<p>The implementation of further training, purchase of security software and revised policies related to I.T. security demonstrates the interest of the directors in maintaining robust I.T. security and data theft or hacking, thus benefiting multiple stakeholders.</p>	<p>The board continued to invest in I.T. security related software and implemented mandatory training for all employees related to hacking, phishing, data theft and general good I.T. practices.</p>
<p><u>Business Conduct</u> The directors believe that observing the highest level of integrity when conducting business is paramount to the success of the business and continue to review and implement policies to guide employees.</p>	<p>The implementation and routine review of all company policies demonstrates the interest of the directors in maintaining high standards of business conduct, thus satisfying the needs of multiple stakeholders.</p>	<p>The board continued to review and implement policies including but not limited to; Anti-bullying, anti-harassment, business gifts & hospitality, data protection, GDPR, alcohol and drug use, expense policy and disciplinary policy.</p>
<p><u>Work environment</u> The directors continued to evaluate the office environment from a number of perspectives including health & safety, functionality, security and comfort.</p>	<p>The routine review of the employee work environment demonstrates the interest of the directors in maintaining high standards of safety, operational capability and comfort, thus satisfying the needs of multiple stakeholders, in particular the employees.</p>	<p>The board routinely reviewed the condition of the workplace, improving security, workstation equipment, safety and leisure facilities throughout the year, making improvements if requested or deemed necessary.</p>

UNIPEC U.K. CO. LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Section 172(1) statement/Statement of stakeholder interests (continued)

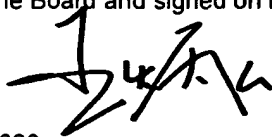
Discussion	Stakeholder considerations	Outcome
<u>Suppliers/Regulator</u> The directors continued to evaluate PPPR reporting practices.	The routine review of the company's PPPR reporting practices demonstrates the interest of the directors in ensuring that regulatory guidelines are met and that information is accurate and reported in a timely manner. This benefits both suppliers and regulators.	The board continued to review the PPPR reporting process and implemented improvements if deemed necessary.

Community and environment

In addition, the parent company has more defined and wide reaching corporate social responsibility policies and initiatives which are embedded in company policy and culture. "Upholding our mission of "better energy for better living," Sinopec focuses on implementing the nation's (China) five development concepts (innovative, coordinated, green, open and shared development) and carrying out five development strategies (value-oriented, innovation-driven, integrated resource allocation, open cooperation, and green and low-carbon growth). Integrating CSR into corporate management and daily operation, we work with stakeholders to perform CSR in six aspects: energy and chemical industry, green action, joining hands with partners, giving back to society, overseas CSR performance, and CSR management, with aims to create comprehensive economic, social and environmental value, achieve common sustainable development of our enterprise and stakeholders, and constantly meet the needs of the people for a better life."

Approved by the Board and signed on its behalf by

B Wang
Director
19 October 2020



Lawn House
74 Shepherds Bush Green
London W12 8QE

Registration number
03138679

UNIPEC U.K. CO. LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal activities

In 2019, the company trades in crude oil, as a principal, and as an agent of Unipecc Asia Co. Ltd., a sister company registered in Hong Kong and under the same immediate parent company.

The company's activities are predominately carried out in United States Dollars ('US dollars'). Accordingly, it has been concluded by the directors that the company's accounting records and the financial statements should be prepared in US dollars, which forms the functional currency for the company.

Results and dividends

The profit for the financial year ended 31 December 2019 was \$167.11 million (2018: \$35.56 million). The directors of the company do not recommend the payment of dividends for the year ended 31 December 2019.

Directors and directors' interests

The directors who served during the year and to the date of this report are shown as follows.

B Wang (Appointed 16 January 2020)
L Li (Appointed 16 January 2020)
S Shao (Appointed 16 January 2020)
G Chen (Resigned 16 January 2020)
B Chen (Resigned 16 January 2020)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

During the financial year, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families or exercised by them during the financial year.

Qualifying third party indemnities

The company granted qualifying third party indemnities to the directors of the company. The indemnities remain in force during the financial year and at the date of approval of the financial statements.

Financial risk management

The company uses various financial instruments. These include amounts owed from and to with Sinopec group entities, external trade debtors and trade creditors that arise directly from its operations as well as related derivative tools traded to hedge price risks, borrowings from financial institutes, cash. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to market risk, liquidity risk, and credit risk, which are described in more detail below.

Market risk

Market risk encompasses three types of risk being currency risk, interest rate risk and price risk.

Currency risk

The company's principal activity, Crude oil trading, and financing are transacted in USD. Although the company's administrative activities may be transacted in GBP and EURO, the foreign exchange risk arising from such transactions is considered to be limited due to the total monetary amount of such transactions.

UNIPEC U.K. CO. LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management (continued)

Interest rate risk

The company's crude oil trading is financed by several working capital facilities, including invoice factoring, letter of credit and revolving financing from renowned external financial institutions as well as Sinopec group's sister entities with treasury functions. These working capital facilities are short-term in nature. The directors aim to manage the interest rate risk to further reduce such borrowing costs by actively diversifying lenders and seeking the best interest rates available from both external and internal (group) sources of finances.

Price risk

The most significant financial risk facing the company relates to commodity prices, in particular crude oil. Changes to crude oil period prices would impact the net fair value of commodity contracts held for trading and the profit margin the company intends to trade. The company's principal crude oil trading activities consist of physical and financial commodity purchases and sales contracts taken on to lock in the differences between physical trade buying and selling prices. The company uses a range of conventional derivative financial instruments available in related commodity markets to manage the commodity price risk. These instruments include futures and swaps. Details of the financial instruments are set out in note 20 to the financial statements.

Liquidity / cash flow risk

Liquidity / cash flow risk is the risk that the company might encounter temporary shortage of funds during its normal course of business to meet commitments associated with financial instruments. The company receives credit facilities from its immediate parent company, related parties and banks. As at year end the total unused credit facility was \$6,510.64 million (2018: \$4,434.52million).

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. Day to day management of credit risk is undertaken by Risk Department of the company, following policies set by the Risk Department of the immediate parent company. Significant portion of the company's counterparty exposure is with its other group companies' undertaking with respect to agency trading. Proprietary trading has grown into substantial portfolio in addition to the agency trading. The company operates within the credit policies set up by the immediate parent company in setting and updating counterparty credit limits. Credit exposures are monitored by individual counterparty and are subject to approved limits. The company employs a variety of methods to mitigate credit risk: margining, various forms of bank and parent guarantees and letters of credit.

Going concern

The financial statements have been prepared on the going concern basis given the continued support of the Sinopec group. The immediate parent company China International United Petroleum & Chemicals Co., Ltd. has confirmed to the company in writing its intention and its ability to use resources available across the intermediate parent company China Petroleum & Chemical Corporation to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due for a period of at least twelve months from the date of signing these financial statements. The intermediate parent company has demonstrated it has the ability to provide this support for such period. In assessing the intermediate parent company's ability to provide this support, the directors have considered potential downside scenarios to the group's trading forecasts, in light of COVID-19 and the impact on the group's wider trading environment. They have determined there are no downside scenarios that would be reasonable to foresee and evaluate at this time that would lead to the intermediate parent company not being able to provide the support as indicated. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

UNIPEC U.K. CO. LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

The company's future developments are contained in the Strategic Report.

Subsequent event

Subsequent to the year end, the outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. COVID-19 is deemed a non-adjusting subsequent event. Directors don't expect that the key risks the business is exposed to or the carrying value of the company's assets are materially changed by the onset of the crisis nor that any significant changes are required to the mitigants in place to address those risks. However, the company's future outlook is dependent on continuous support from Sinopec group. Confronted with the extremely severe market situation, Sinopec group launched a "100-day campaign to tide over difficulties and improve performance" guided by focusing on main challenges, system optimisation, bottom-line risks prevention and control, and seizing opportunities out of crises. As a result Sinopec group's operation and profitability improved month by month from the second quarter in 2020 and the performance recovered steadily.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

UNIPEC U.K. CO. LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Independent Auditors

In pursuant to Section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Approved by the Board and signed on its behalf by



B Wang
Director
19 October 2020

Lawn House
74 Shepherds Bush Green
London
W12 8QE

Registration number
03138679

Independent auditors' report to the members of Unipec U.K. Co. Limited

Report on the audit of the financial statements

Opinion

In our opinion, Unipec U.K. Co. Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

UNIPEC U.K. CO. LIMITED

Independent auditors' report to the members of Unipec U.K. Co. Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
19 October 2020

UNIPEC U.K. CO. LIMITED


STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
Revenue	5	39,486,938	28,015,219
Derivative trading		(124,906)	(33,311)
Total income		39,362,032	27,981,908
Cost of sales		(39,203,608)	(27,898,562)
Gross profit		158,424	83,346
Administrative expenses		(26,155)	(28,642)
Other operating income	6	116	114
Other gains	11	79,202	-
Operating profit	7	211,587	54,818
Interest receivable and similar income	12	12,773	19,253
Interest payable and similar expenses	12	(18,797)	(30,663)
Net interest expense		(6,024)	(11,410)
Profit before Tax		205,563	43,408
Tax on Profit	13	(38,451)	(7,844)
Profit for the financial year		167,112	35,564
Other comprehensive income / (expense)			
Change in value of cash flow hedges	26	122,641	(99,392)
Tax on cash flow hedges	21	(23,302)	18,885
Other comprehensive income / (expense) for the year, net of tax		99,339	(80,507)
Total comprehensive income / (expense) for the year		266,451	(44,943)

UNIPEC U.K. CO. LIMITED
REGISTERED NUMBER: 03138679
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Tangible assets	14	29,598	16,188
Investment property	15	1,236	1,317
Deferred tax	21	165	145
		<u>30,999</u>	<u>17,650</u>
Current assets			
Inventories	16	221,003	26,222
Debtors: amounts falling due within one year	17	3,274,477	1,941,942
Cash at bank and in hand	18	15,835	1,920
		<u>3,511,315</u>	<u>1,970,084</u>
Creditors: amounts falling due within one year	19	<u>(3,174,891)</u>	<u>(1,894,809)</u>
Net current assets		<u>336,424</u>	<u>75,275</u>
Total assets less current liabilities		<u>367,423</u>	<u>92,925</u>
Provisions for liabilities	21	<u>(8,047)</u>	-
Net assets		<u>359,376</u>	<u>92,925</u>
Capital and reserves			
Called up share capital	22	80,670	80,670
Other reserves	23	34,305	(65,034)
Profit and loss account	23	244,401	77,289
Total shareholder's funds		<u>359,376</u>	<u>92,925</u>

The financial statements on pages 12 to 32 were approved and authorised for issue by the board and were signed on its behalf on by:


B Wang
 Director

The notes on pages 15 to 32 form part of these financial statements.

19 October 2020

UNIPEC U.K. CO. LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital \$000	Other reserves \$000	Profit and loss account \$000	Total shareholder's funds \$000
At 1 January 2019	80,670	(65,034)	77,289	92,925
Comprehensive income for the year				
Profit for the financial year	-	-	167,112	167,112
Other comprehensive Income	-	99,339	-	99,339
Total comprehensive income for the year	-	99,339	167,112	266,451
At 31 December 2019	80,670	34,305	244,401	359,376
For the year ended 31 December 2018				
	Called up share capital \$000	Other reserves \$000	Profit and loss account \$000	Total shareholder's funds \$000
At 1 January 2018	80,670	15,473	41,725	137,868
Comprehensive income / (expense) for the year				
Profit for the financial year	-	-	35,564	35,564
Other comprehensive expense	-	(80,507)	-	(80,507)
Total comprehensive expense for the year	-	(80,507)	35,564	(44,943)
At 31 December 2018	80,670	(65,034)	77,289	92,925

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Unipek U.K. Co. Limited ('the company') engages in principal trading of crude oil predominantly with third parties and agency trading activities on behalf of fellow group companies. The company is a private company limited by shares and is incorporated and domiciled in England in the United Kingdom. The address of its registered office is Lawn House, 74 Shepherds Bush Green, London W12 8QE.

2. STATEMENT OF COMPLIANCE

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss and other comprehensive income.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 GOING CONCERN

The financial statements have been prepared on the going concern basis given the continued support of the Sinopec group. The immediate parent company China International United Petroleum & Chemicals Co., Ltd. has confirmed to the company in writing its intention and its ability to use resources available across the intermediate parent company China Petroleum & Chemical Corporation to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due for a period of at least twelve months from the date of signing these financial statements. The intermediate parent company has demonstrated it has the ability to provide this support for such period. In assessing the intermediate parent company's ability to provide this support, the directors have considered potential downside scenarios to the group's trading forecasts, in light of COVID-19 and the impact on the group's wider trading environment. They have determined there are no downside scenarios that would be reasonable to foresee and evaluate at this time that would lead to the intermediate parent company not being able to provide the support as indicated. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

The company has taken advantage of the following disclosure exemptions, under FRS 102 paragraphs 1.12(b) (c) and (e) and paragraph 33.1A, on the basis that it is a qualifying entity and its intermediate parent company, China Petroleum & Chemical Corporation, includes the company's following disclosures in its own consolidated financial statements.

- (a) the requirement to prepare a statement of cash flows;
- (b) certain financial instrument disclosures under FRS 102 paragraphs 11.39 – 11.48A, 12.26 – 12.29;
- (c) the non-disclosure of key management personnel compensation in total; and
- (d) the non-disclosure of related party transactions with wholly owned subsidiaries within the same group.

3.4 FOREIGN CURRENCY

(i) Functional and presentational currency

The company's functional and presentation currency is the United States dollar ('US dollar').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

3.5 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

(i) Sale of goods

The company proprietarily purchases and sells crude oil in global market. Revenue is recognised and recorded as turnover when the significant risks and rewards of ownership have passed to the buyer and the revenue can be measured. When a sale and purchase transaction is completed without physical delivery as agreed with all counterparties, such revenue is recognised on a net basis to account for the difference between the purchasing and selling prices.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Sale of services

The company trades crude oil as an agent on behalf of other group companies and earns agency commissions. Revenue is recognised and recorded as turnover in the accounting period in which the services are rendered.

(iii) Derivative trading

Net gains and losses (both realised/settled and unrealised/fair value changes) from trading in commodity futures and swaps are recognised and recorded as derivative trading. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in derivative trading. The hedging arrangements are further discussed in note 3.14 (iv).

(iv) Rental income

Rental income receivable under operating leases is recognized and recorded as other operating income in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets.

3.6 EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

3.7 TAXATION

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.8 INVESTMENT PROPERTIES

Investment properties are properties held by the company to earn rentals or for capital appreciation or both. Investment properties are accounted for using the cost model in FRS 102 Section 17 *Property, Plant and Equipment*, as follows:

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over 25 years.

3.9 TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold Land & Buildings	- 30 years
Transportation Equipment	- 2 to 8 years
Fixtures & Fittings	- 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 OPERATING LEASES

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

3.11 INVENTORIES

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the weighted average method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

3.12 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

3.13 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.14 FINANCIAL INSTRUMENTS

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and loans to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivatives, including commodity futures, swaps and forwards and forward freight agreements, are not basic financial instruments. The accounting policy on derivatives are discussed in note 3.5 on page 15.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Hedging arrangements

The company applies hedge accounting for transactions entered into to manage the market risks related to price volatility of crude oil. Commodity futures and swaps are held to manage these exposures on the trading of crude oil and are designated as cash flow hedges.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised as other gain or loss in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income and included directly in the initial cost or other carrying amount of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable or the hedging instrument is terminated.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.16 FINANCE COSTS

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.17 PENSIONS

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.18 BORROWING COSTS

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

3.19 RELATED PARTY TRANSACTIONS

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

a) Measurement of investment property

In the judgment of the directors, the fair values of the size of the office let out as the company's investment properties has an immaterial impact for the financial statements reader to understand the company's operation result. Therefore investment properties are accounted for using the cost model in FRS 102 Section 17 *Property, Plant and Equipment* and remains within the scope of Section 17.

b) Net presentation of "Book-out" oil trading

Among the company's physical oil trading contracts, "Book-out" transactions are where the supplier and the customer of the company decide and are in agreement not to make the physical delivery of an oil cargo therefore all transactions in this chain are settled by paying the net difference in prices. Under FRS 102, such contracts to buy or sell non financial items are not within the scope of Section 11 Financial Instruments because they are not financial instruments, however, if these transactions can be settled net they are within the scope of Section 12 i.e. gains or losses on the financial instrument are therefore recognised on a net basis, unless these transactions are entered into and continue to be held for the purpose of the receipt or delivery of the non financial item in accordance with the entity's expected purchase, sale or usage requirements (the 'Own Use Exception'). Based on these facts and rules, the directors consider it is appropriate to record all "Book-out" oil trading transactions on a net basis in the financial statements.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair values of derivatives

Oil trading financial derivatives and open positions on physical oil trading contracts are fair valued using externally derived market prices or broker quotations, or to the extent that neither market prices nor broker quotations are available, commodity prices using assumptions based on market expectations and reasonably reflected factors that market participants would consider in setting a price.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. REVENUE

An analysis of revenue by class of business is as follows:

	2019 \$000	2018 \$000
Sales revenue from principal trades	39,460,895	27,900,207
Commission received from agency trade	22,803	22,590
Other operation revenue	3,240	92,422
	<u>39,486,938</u>	<u>28,015,219</u>

Analysis of revenue by country of destination:

	2019 \$000	2018 \$000
Asia	18,967,708	15,786,123
Europe	14,396,795	9,486,364
Rest of the world	6,122,435	2,742,732
	<u>39,486,938</u>	<u>28,015,219</u>

6. OTHER OPERATING INCOME

	2019 \$000	2018 \$000
Rental income from investment property	108	114
Gains on disposal of fixed assets	8	-
	<u>116</u>	<u>114</u>

7. OPERATING PROFIT

The operating profit is stated after charging:

	2019 \$000	2018 \$000
Depreciation of tangible assets and investment property	15,114	925
Operating lease rentals	40,763	22,386

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. AUDITORS' REMUNERATION

	2019 \$000	2018 \$000
Fees payable to the company's auditors for the audit of the company's annual financial statements	168	125
Fees payable to the company's auditors in respect of tax compliance services	18	12
	<u>186</u>	<u>137</u>

9. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2019 \$000	2018 \$000
Wages and salaries	13,910	16,763
Social security costs	3,266	2,373
Other pension costs	666	665
	<u>17,842</u>	<u>19,801</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 Number	2018 Number
Administration	67	62
Traders	11	11
	<u>78</u>	<u>73</u>

10. DIRECTORS' REMUNERATION

	2019 \$000	2018 \$000
Aggregate directors' emoluments	<u>161</u>	<u>448</u>

The highest paid director received remuneration of \$160,610 (2018: \$448,500).

The emoluments of one of the two directors who served during the year are not borne by the company as it is not possible to allocate their remuneration between legal entities within the group.

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. OTHER GAINS

	2019	2018
	\$000	\$000
Derivative financial instruments traded without hedging relationship or ineffective	<u>79,202</u>	<u>-</u>

12. NET INTEREST EXPENSE

	2019	2018
	\$000	\$000

(a) Interest receivable and similar income

Foreign exchange gain	777	2,926
Other interest income	<u>11,996</u>	<u>16,327</u>
	<u>12,773</u>	<u>19,253</u>

(b) Interest payable and similar expense

Bank interest payable	(11,027)	(28,038)
Other finance expenses	<u>(7,770)</u>	<u>(2,625)</u>
	<u>(18,797)</u>	<u>(30,663)</u>

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. TAX ON PROFIT

	2019	2018
	\$000	\$000
Corporation tax		
Current tax on profits for the year	37,797	8,499
Adjustments in respect of previous periods	674	(597)
Total Current Tax	<u>38,471</u>	<u>7,902</u>
Deferred tax		
Origination and reversal of timing differences	(20)	(58)
Adjustments in respect of previous periods	-	-
Total deferred tax	<u>(20)</u>	<u>(58)</u>
Tax on profit	<u>38,451</u>	<u>7,844</u>

The tax charge for the year is lower (2018: lower) than standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019	2018
	\$000	\$000
Profit before tax	<u>205,563</u>	<u>43,408</u>
Tax charge calculated at standard UK corporation tax rate of 19% (2018: 19%)	39,057	8,247
Effects of:		
Expenses not deductible for tax purposes	70	189
Depreciation for year in excess of capital allowance	121	63
Adjustments to tax charge in respect of prior periods	674	(597)
Forex translation effect	(1,451)	-
Deferred tax	<u>(20)</u>	<u>(58)</u>
Total tax charge for the financial year	<u>38,451</u>	<u>7,844</u>

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. The government maintained the corporation tax rate at 19% in FY2018 and FY2019. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. The rate used for the FY2019 closing deferred tax balance is 19%.

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. TANGIBLE ASSETS

	Freehold Land & Buildings \$000	Trans- portation Equipment \$000	Fixture and Fittings \$000	Total \$000
Cost				
At 1 January 2019	18,270	203	6,303	24,776
Reclassification	(2,260)	(150)	2,410	-
Addition	-	28,443	-	28,443
Disposal	-	(53)	-	(53)
At 31 December 2019	16,010	28,443	8,713	53,166
Accumulated depreciation				
At 1 January 2019	3,648	182	4,758	8,588
Reclassification	(769)	(128)	897	-
Charge for the year	343	14,221	469	15,033
Disposal	-	(53)	-	(53)
At 31 December 2019	3,222	14,222	6,124	23,568
Net book value				
At 31 December 2019	12,788	14,221	2,589	29,598
At 31 December 2018	14,622	21	1,545	16,188

15. INVESTMENT PROPERTY

	\$000
Cost	
At 1 January 2019 and 31 December 2019	2,005
Accumulated depreciation	
At 1 January 2019	688
Charge for the year	81
At 31 December 2019	769
Net book value	
At 31 December 2019	1,236
At 31 December 2018	1,317

The cost of investment property was \$2,005,000 (2018: \$2,005,000), which was allocated by floor area out of the total purchase cost of the building.

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. INVENTORIES

	2019 \$000	2018 \$000
Finished goods and goods for resale	<u>221,003</u>	<u>26,222</u>

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 \$000	2018 \$000
Trade debtors	509,789	1,187,825
Amounts owed by group undertakings	2,685,593	643,756
Other debtors	62,157	92,098
Derivative debtors	16,938	3,008
Deferred tax (note 21)	-	15,255
	<u>3,274,477</u>	<u>1,941,942</u>

Amounts owed by group undertakings are unsecured, have no scheduled repayment dates and are not interest bearing for the company.

18. CASH AT BANK AND IN HAND

	2019 \$000	2018 \$000
Cash at bank and in hand	<u>15,835</u>	<u>1,920</u>

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 \$000	2018 \$000
Bank loans and overdrafts	13,272	-
Trade creditors	3,012,299	1,725,682
Amounts owed to group undertakings	97,139	108,878
Corporation Tax	19,710	3,398
Other creditors	23,333	16,272
Other taxation and social security	305	-
Derivative creditors	8,833	40,579
	<u>3,174,891</u>	<u>1,894,809</u>

Amounts owed to group undertakings are unsecured, have no scheduled repayment dates and are not interest bearing for the company.

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. FINANCIAL INSTRUMENTS

	2019	2018
	\$000	\$000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	3,257,539	1,923,679
Financial assets measured at fair value	<u>16,938</u>	<u>3,008</u>
	<u>3,274,477</u>	<u>1,926,687</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(3,146,043)	(1,850,832)
Financial liabilities measured at fair value	<u>(8,833)</u>	<u>(40,579)</u>
	<u>(3,154,876)</u>	<u>(1,891,411)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise bank loans, overdrafts, trade creditors, amounts owed to group undertakings, other creditors and accruals.

Financial assets and liabilities measured at fair value comprise of derivative financial instruments.

21. DEFERRED TAX

Deferred tax asset

	\$000
At 1 January 2019	15,400
Credited to profit and loss	20
Debited to the other comprehensive income	<u>(15,255)</u>
At 31 December 2019	<u>165</u>

Analysis of deferred tax assets / (liabilities):

	2019	2018
	\$000	\$000
Accelerated capital allowances	165	145
Change in value of cash flow hedges	<u>(8,047)</u>	<u>15,255</u>
	<u>(7,882)</u>	<u>15,400</u>

Deferred tax liability

	\$000
At 1 January 2019	-
Debited to the other comprehensive income	<u>8,047</u>
At 31 December 2019	<u>8,047</u>

UNIPEC U.K. CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22. CALLED UP SHARE CAPITAL

	2019	2018
	\$000	\$000
Allotted, called up and fully paid		
62,378,551 (2018: 62,378,551) Ordinary shares of £1 each	<u>80,670</u>	<u>80,670</u>

23. RESERVES

Other reserves

The hedging reserve is used to record transactions arising from the company's cash flow hedging arrangements.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

24. PENSION COMMITMENTS

The company operates a defined contributions pension scheme eligible for all employees. The contribution rate from the company is subject to the employment contract, there is no required contribution from employees but the scheme accepts additional voluntary contributions. Pension funds are invested in individual policies with independent fund managers. The scheme accounts are audited annually and statements are issued to members annually.

The pension cost charge represents contributions payable by the company to employees' pensions plans and amounted to \$665,867 (2018: \$664,860).

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	\$000	\$000
Not later than 1 year	30,500	48,172
Later than 1 year and not later than 5 years	53,626	75,270
More than 5 years	<u>26,813</u>	<u>45,247</u>
Total	<u>110,939</u>	<u>168,689</u>

UNIPEC U.K. CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

26. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of instruments held by the company as at 31 December 2019 as the company's open trade position with third party and fellow group subsidiary counterparties, and net movement included in the statement of comprehensive income during 2019 (including the movements of open gain or loss and transfers out of closed gain or loss during the year) were as follows:

Derivatives traded to hedge oil trading risks

	Fair value assets / (liabilities)		Movement	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Commodity Swaps	(2,022)	19,565	(21,587)	48,205
Commodity Futures	46,667	(79,797)	126,464	(147,597)
	<u>44,645</u>	<u>(60,232)</u>	<u>104,877</u>	<u>(99,392)</u>

Derivatives traded without hedging relationship or in-effective

	Fair value assets / (liabilities)		Movement	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Commodity Swaps	1,602	(32,911)	34,513	-
Commodity Futures	(38,142)	52,564	(90,706)	-
	<u>(36,540)</u>	<u>19,653</u>	<u>(56,193)</u>	<u>-</u>

27. RELATED PARTY TRANSACTIONS

During the year the company entered into following transactions with related parties which are not wholly owned by the same group parent undertakings.

	Transaction in the year		Balance at year end	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Sinopec Century Bright Capital Investment (UK) Limited:				
- Short-term deposits	<u>73,550</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
- Short-term borrowings	<u>3,837,020</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
- Interest receivable	<u>6</u>	<u>-</u>	<u>1</u>	<u>-</u>
- Interest payable	<u>1,970</u>	<u>848</u>	<u>-</u>	<u>-</u>

UNIPEC U.K. CO. LIMITED

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28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a 100% owned subsidiary undertaking of China International United Petroleum & Chemicals Co., Ltd. which is the immediate parent company, incorporated in the People's Republic of China. The ultimate parent is China Petrochemical Corporation incorporated in the People's Republic of China.

The smallest and largest group in which the results of the company are 100% consolidated in that headed by the intermediate parent company China Petroleum & Chemical Corporation which is incorporated in the People's Republic of China. No other group financial statements include the results of the company.

Copies of the consolidated financial statements are available to the public and may be obtained from:

China Petroleum & Chemical Corporation
No.22 Chaoyangmen North Street
Chaoyang District
Beijing
P.R. China 100728

29. SUBSEQUENT EVENTS

Non-adjusting event

COVID-19

Subsequent to the year end, the outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. COVID-19 is deemed a non-adjusting subsequent event. Management don't expect that the key risks the business is exposed to or the carrying value of the company's assets are materially changed by the onset of the crisis nor that any significant changes are required to the mitigants in place to address those risks. However, the company's future outlook is dependent on continuous support from Sinopec group. Confronted with the extremely severe market situation, Sinopec group launched a "100-day campaign to tide over difficulties and improve performance" guided by focusing on main challenges, system optimisation, bottom-line risks prevention and control, and seizing opportunities out of crises. As a result Sinopec group's operation and profitability improved month by month from the second quarter in 2020 and the performance recovered steadily.